



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF THE STATE BUDGET  
LANSING

MARY A. LANNOYE  
DIRECTOR

November 7, 2006

The Honorable Shirley Johnson, Chair  
Senate Appropriations Committee  
Michigan State Senate  
State Capitol  
Lansing, Michigan 48901

The Honorable Scott Hummel, Chair  
House Appropriations Committee  
Michigan House of Representatives  
State Capitol  
Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the month ending September 30, 2006. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

[www.michigan.gov/budget](http://www.michigan.gov/budget) under "Financial Reports."

If you have questions concerning the information in this report, please contact this office.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mary A. Lannoye".

Mary A. Lannoye  
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm  
Ken Sikkema, Senate Majority Leader  
Craig DeRoche, Speaker of the House  
Bob Emerson, Senate Minority Leader  
Diane Byrum, House Minority Leader  
Senate Appropriations Committee  
House Appropriations Committee  
Nancy Cassis, Chair, Senate  
Finance Committee

Fulton Sheen, House Tax Policy Committee  
John Burchett, Executive Office  
Tim Hughes, Executive Office  
Senate Fiscal Agency  
House Fiscal Agency  
Mike Moody, Financial Management  
Nancy Duncan, Deputy Director  
State Budget Office  
Internal Office of the State Budget  
Distribution

**GENERAL FUND, GENERAL PURPOSE**  
**Fiscal Year 2006**  
**Projected Revenues and Expenditures**  
**September 30, 2006**  
(\$ in millions)

	<b>FISCAL 2006</b>
<b>Beginning Balance, October 1, 2005</b>	<b>\$ 220.5</b>
<b>Revenues, Current Law:</b>	
<b>Current Year GF/GP Revenues, May 2006 Consensus Estimate</b>	<b>\$ 8,281.7</b>
<b>Adjustments to Consensus Baseline</b>	
<b>Additional Revenue Adjustments:</b>	
Revenue Sharing Freeze (PA 196 of 2005 and May 2006 Consensus)	\$ 350.6
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 192.4
Non-Use of SBT Pharmaceutical Credit	\$ 10.0
Financial Institutions Fund Revenue Deposit to GF	\$ 15.0
Interest Earnings - Tobacco Securitization (PA 226 of 2005)	\$ 7.0
Agriculture Equine Industry Development Fund Revenue Deposit to GF (PA 42 of 2006)	\$ 2.0
Remonumentation Fund Revenue Deposit to GF (PA 76 of 2006)	\$ 15.0
Land Sales (including PA 179 of 2006)	\$ 47.0
<b>Subtotal Additional Revenue Adjustments</b>	<b>\$ 639.0</b>
<b>Total FY Resources Available For Expenditure GF/GP</b>	<b>\$ 9,141.2</b>
<b>Expenditures, Current Law:</b>	
Enacted Post Vetoes	\$ 8,975.7
Enacted Supplemental (PA 226 of 2005)	\$ 1.0
Enacted Supplemental (PA 297 of 2005)	\$ 4.9
Enacted Supplemental (PA 153 of 2006)	\$ 22.2
Enacted Supplemental (PA 345 of 2006)	\$ 52.8
<b>Anticipated Expenditure Adjustments:</b>	
Projected Appropriation Lapses	\$ (25.0)
<b>Total Expenditures Projected</b>	<b>\$ 9,031.6</b>
<b>Projected Ending Balance, September 30, 2006</b>	<b>\$ 109.6</b>

<sup>1</sup> Subsequent to the date of this report, the State of Michigan is in the process of determining final accounting transactions for the fiscal year ending September 30, 2006. Final figures will be included in the Comprehensive Annual Financial Report scheduled for release in December 2006.

# OFFICIAL BALANCE SHEET

## SCHOOL AID FUND Fiscal Year 2006 Projected Revenues and Expenditures September 30, 2006 (\$ in millions)

	FISCAL 2006
Beginning Balance, October 1, 2005	\$ 93.7
Current Year School Aid Fund Revenues, May 2006 Consensus	\$ 11,198.0
Adjustments to Consensus Baseline	
FY04 Audit Receivables Adjustments	\$ 3.0
Anticipated Miscellaneous Revenue	\$ 1.4
Subtotal, School Aid Fund, Current Year Direct Resources	\$ 11,202.4
School Bond Loan Revolving Fund	\$ 44.5
General Fund Subsidy	\$ 62.7
	\$ 107.2
Federal Aid	\$ 1,392.6
Total Available SAF Resources	\$ 12,795.9
Expenditures	
Enacted Appropriations PA 155 of 2005	\$ 12,757.2
Revised cost estimates	\$ (56.6)
Adjusted Appropriations	\$ 12,700.6
Projected School Aid Fund Ending Balance September 30, 2006	\$ 95.3

<sup>1</sup> Subsequent to the date of this report, the State of Michigan is in the process of determining final accounting transactions for the fiscal year ending September 30, 2006. Final figures will be included in the Comprehensive Annual Financial Report scheduled for release in December 2006.



# SUMMARY OF EXPENDITURES AND ENCUMBRANCES

## GENERAL FUND GROSS

September 30, 2006

(\$ IN MILLIONS)

### FISCAL YEAR 2004-05

### FISCAL YEAR 2005-06

September 2005	Yr-to-date 2004-05	Fiscal Yr end SEP 30, 2005	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc September 2006	Exp & Enc Yr-to-date 2005-06
9.8	93.6	93.6	Agriculture	119.2	1.9	8.9	85.3
6.4	57.4	57.4	Attorney General	63.8	2.3	6.2	60.0
9.5	291.2	291.2	Capital Outlay	228.3	49.6	0.8	14.8
0.7	12.3	12.3	Civil Rights	13.2	0.5	1.4	13.4
2.8	25.3	25.3	Civil Service	35.9	0.0	2.4	27.3
0.1	1,909.7	1,909.7	Colleges & Universities	1,868.8	0.7	3.8	1,858.2
823.7	9,808.9	9,808.9	Community Health	10,203.9	311.5	770.1	9,518.5
174.5	1,682.4	1,682.4	Corrections	1,841.3	10.0	178.2	1,800.6
5.5	78.8	78.8	Education	101.1	3.5	5.9	65.2
18.6	178.5	178.5	Environmental Quality	410.5	1.5	20.9	174.6
0.5	5.0	5.0	Executive Office	5.4	0.0	0.6	5.3
2.7	53.9	53.9	History, Arts & Library	53.2	0.6	3.6	49.6
274.1	3,929.5	3,929.5	Human Services	4,423.9	71.8	313.1	4,148.3
0.0	0.0	0.0	Information Technology	0.0	0.0	0.0	0.0
12.6	207.0	207.0	Judiciary	255.4	0.2	14.2	205.7
70.3	719.9	719.9	Labor & Economic Growth	862.6	96.2	62.3	751.7
13.0	131.2	131.2	Legislature	129.7	0.2	15.3	137.1
13.9	151.9	151.9	Management & Budget	169.8	12.9	14.1	161.5
10.5	102.6	102.6	Military Affairs	111.6	3.9	11.5	109.3
7.4	74.4	74.4	Natural Resources	95.8	3.3	9.1	77.6
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
24.4	215.3	215.3	State	197.4	11.7	29.1	257.3
46.1	427.4	427.4	State Police	550.8	24.8	42.9	464.0
0.0	0.0	0.0	Transportation	0.0	0.0	0.0	0.0
59.0	1,528.7	1,528.7	Treasury	1,794.2	91.0	1,368.5	3,101.8
<b>\$1,586.1</b>	<b>\$21,684.9</b>	<b>\$21,684.9</b>		<b>\$23,535.9</b>	<b>\$698.1</b>	<b>\$2,882.9</b>	<b>\$23,087.1</b>

\*Includes boilerplate appropriations.

# ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2006  
September, 2006  
(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,734.7	3.0	15,737.7
Total state spending from state resources	27,094.4	629.5	27,723.9
Percentage of state spending from state resources paid to local units	58.07%		56.77%
Required payments to local units (48.97%)	13,268.1		13,576.4
Surplus/(deficit)	\$2,466.6		\$2,161.3

STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES**  
**COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND**  
 OCTOBER 1, 2005 THROUGH SEPTEMBER 30, 2006  
 (in thousands)

**REVENUES**

Taxes	\$ -
From federal agencies	-
Miscellaneous	<u>52</u>
Total Revenues	<u>52</u>

**EXPENDITURES**

Current:	
General government	-
Education	-
Family Independence services	-
Public safety and corrections	<u>-</u>
Total Expenditures	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>52</u>

**OTHER FINANCING SOURCES (USES)**

Proceeds from Bond Issues	-
Operating transfers from:	
State Lottery Fund	-
Other funds	<u>-</u>
Total operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 52 <sup>1</sup></u>

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES**  
**MICHIGAN STRATEGIC FUND**  
OCTOBER 1, 2005 THROUGH SEPTEMBER 30, 2006  
(preliminary - in thousands)

**OPERATING REVENUES**

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Financing fees	2,080
Other	-
Total miscellaneous	<u>2,080</u>
Total Operating Revenues	<u>2,080</u>

**OPERATING EXPENSES**

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	2,043
Total other operating expenses	<u>2,043</u>
Total Operating Expenses	<u>2,043</u>
Operating Income (Loss)	<u>37</u>

**NONOPERATING REVENUES (EXPENSES)**

Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	-
Other nonoperating revenue	-
Total other nonoperating revenues	<u>-</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>
Income (Loss) Before Operating Transfers	<u>37</u>
Net Income (Loss)	<u>\$ 37 <sup>1</sup></u>

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.



STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES**  
**MICHIGAN NATURAL RESOURCES TRUST FUND**  
 OCTOBER 1, 2005 THROUGH SEPTEMBER 30, 2006  
 (in thousands)

**REVENUES**

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>53,426</u>
Total Revenues	<u>53,426</u>

**EXPENDITURES**

Current:	
General government	-
Conservation, environment, recreation, and agriculture	2,748
Capital outlay	<u>28,332</u>
Total Expenditures	<u>31,080</u>
Excess of Revenues over (under) Expenditures	<u>22,346</u>

**OTHER FINANCING SOURCES (USES)**

Proceeds from bond issues	-
Proceeds from sale of capital assets	123
Operating transfers from other funds	-
Operating transfers to other funds	<u>(10,012)</u>
Total Other Financing Sources (Uses)	<u>(9,889)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 12,457 <sup>1</sup></u>

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable,  
 accounts payable, etc.

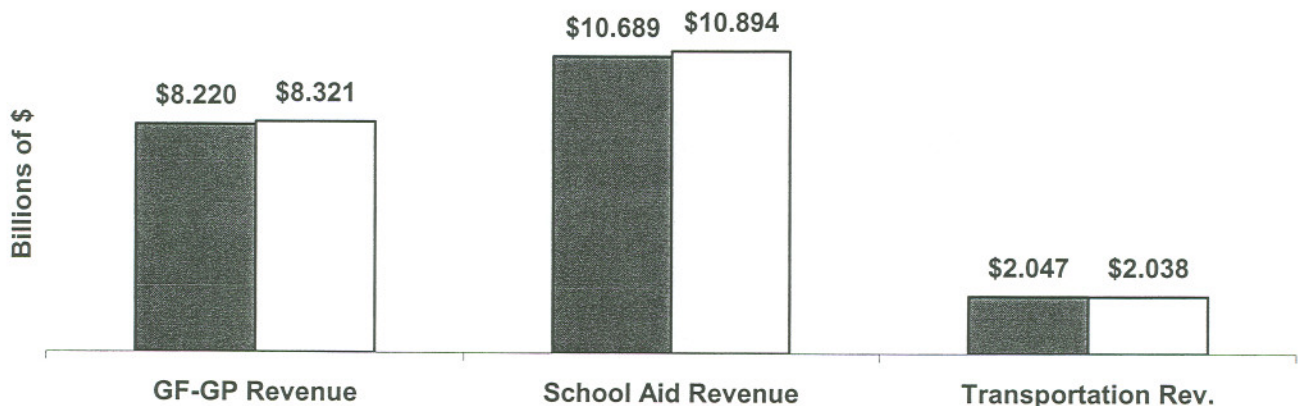
**REVENUE OVERVIEW**  
Economic and Revenue Forecasting Division  
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for September 2006, representing some August and some September economic activity in Michigan.

Total General Fund - General Purpose cash collections were \$89.4 million (11.3 percent) lower in September 2006 than in September 2005. The decrease is due in part to unusually large estate tax receipts in 2005 and the issuance of unusually large use tax refunds in 2006. September School Aid Fund cash collections were \$85.4 million (7.1 percent) lower than in September 2005, in part due to the timing of payment dates. September transportation collections were \$1.5 million (1.0 percent) higher than in September 2005 (see revenue table). September is the twelfth month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$100.7 million (1.2 percent) from a year ago. School Aid Fund cash collections are up \$204.6 million (1.9 percent), and transportation collections are down \$9.0 million (0.4 percent).

The FY 2005-2006 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on May 17, 2006. The Consensus estimate for net General Fund - General Purpose revenue for FY 2005-2006 is \$8,281.7 million and the net School Aid revenue forecast is \$11,198.0 million. The Transportation Funds revenue forecast is \$2,238.5 million. The revenue projections for each tax are shown after all tax adjustments. The next regularly scheduled revenue conference will be held in January 2007.

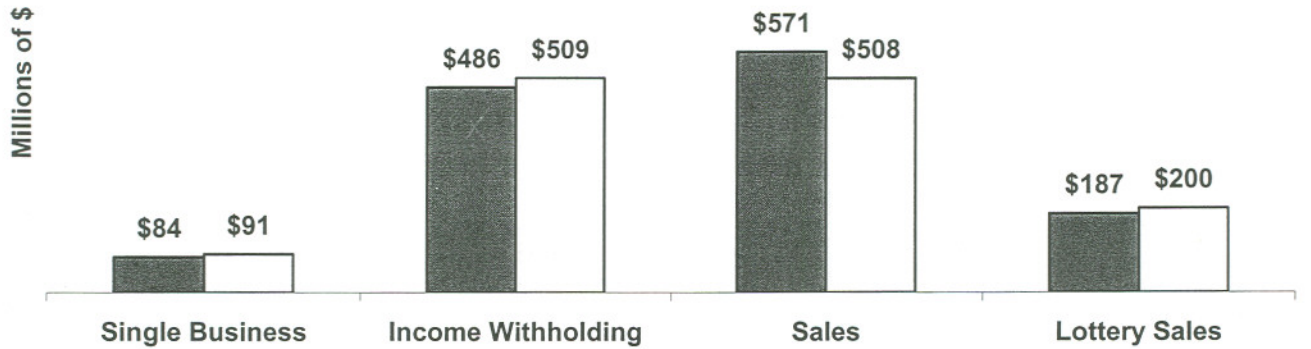
**October through September Collections  
Fiscal Years 2004-05 and 2005-06**



Economic and Revenue Forecasting Division

■ FY 2004-05 □ FY 2005-06

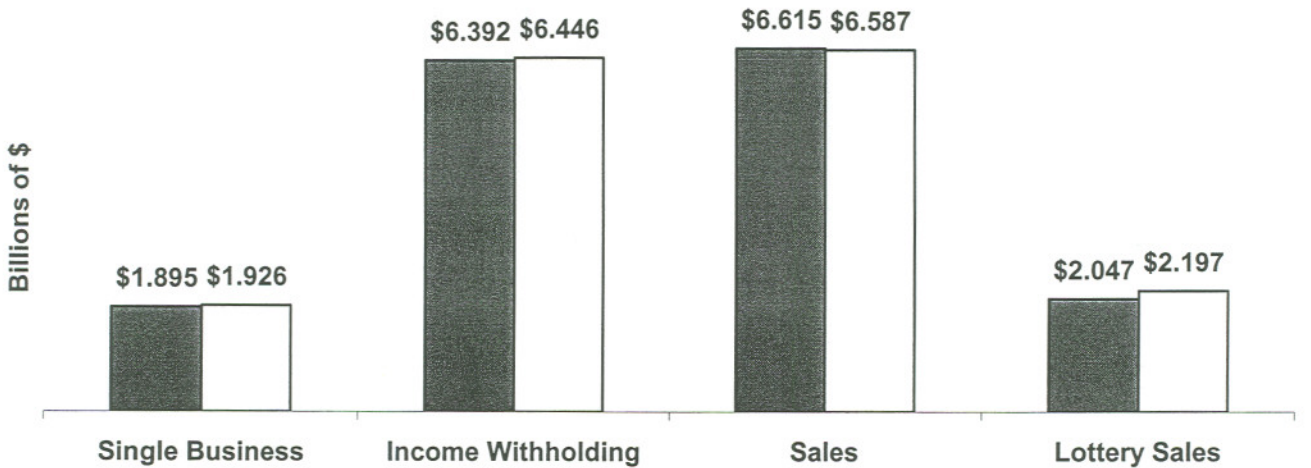
### September Revenue Collections Fiscal Years 2004-05 and 2005-06



Economic and Revenue Forecasting Division

■ FY 2004-05 □ FY 2005-06

### October through September Collections Fiscal Years 2004-05 and 2005-06



Economic and Revenue Forecasting Division

■ FY 2004-05 □ FY 2005-06



**Revenue Summary 2005-06**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

For The Month Ended: September 30, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH SEPTEMBER CASH COLLECTIONS DATA						REVENUE PROJECTIONS		
September		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006	
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual Totals (e)	Statutory Estimate	May 2006 Consensus	
Income Taxes												
\$486,400	\$508,830	\$22,430	4.6%	Withholding	\$6,392,340	\$6,446,229	\$53,890	0.8%	\$6,427,400	\$6,607,100	\$6,516,600	
150,039	162,296	12,258	8.2%	Quarterlies	642,070	724,875	82,804	12.9%	643,000	670,100	722,000	
10,506	11,929	1,423	13.5%	Annuals	638,255	693,114	54,859	8.6%	648,600	624,200	695,100	
646,944	683,056	36,112	5.6%	Gross Collections	7,672,665	7,864,218	191,553	2.5%	\$7,719,000	\$7,901,400	\$7,933,700	
20,282	22,570	2,287	11.3%	Less: Refunds	1,649,393	1,637,008	(12,385)	-0.8%	1,610,800	1,725,000	1,679,000	
0	0	0	na	State Campaign Fund	0	0	0	na	1,500	1,500	1,500	
626,662	660,486	33,824	5.4%	Net Personal Income	6,023,272	6,227,210	203,938	3.4%	\$6,106,700	\$6,174,900	\$6,253,200	
161,736	177,594	15,858	9.8%	Less: Disbursements to SAF	1,918,166	2,044,697	126,530	6.6%	\$1,985,600	\$2,051,000	\$2,058,800	
\$464,926	\$482,892	\$17,966	3.9%	NET PERSONAL INCOME TO GF-GP	\$4,105,106	\$4,182,513	\$77,408	1.9%	\$4,121,100	\$4,123,900	\$4,194,400	
Consumption Taxes												
\$8,154	\$5,648	(\$2,506)	-30.7%	Sales (a)	\$91,969	\$79,970	(\$11,999)	-13.0%	\$99,200	\$114,700	\$106,200	
91,439	45,627	(45,812)	-50.1%	Use	931,262	900,681	(30,581)	-3.3%	934,700	963,600	941,100	
11,350	21,308	9,958	87.7%	Tobacco	119,837	234,266	114,429	95.5%	116,500	228,100	235,300	
5,172	4,969	(203)	-3.9%	Beer, Wine & Mixed Spirits	51,607	50,944	(664)	-1.3%	51,000	52,500	52,000	
3,310	3,454	144	4.3%	Liquor Specific	31,213	32,350	1,137	3.6%	33,600	34,000	34,000	
\$119,425	\$81,005	(\$38,419)	-32.2%	TOTAL CONSUMPTION TAXES	\$1,225,888	\$1,298,209	\$72,322	5.9%	\$1,234,900	\$1,392,900	\$1,368,600	
Other Taxes												
\$83,632	\$90,544	\$6,912	8.3%	Single Business	\$1,894,529	\$1,925,916	\$31,387	1.7%	\$1,913,500	\$1,913,800	\$1,852,900	
1,680	92	(1,588)	-94.5%	Insurance Premiums Taxes	241,083	225,816	(15,268)	-6.3%	249,500	240,000	235,000	
85,312	90,636	5,324	6.2%	Sub-total SBT & Insurance	2,135,612	2,151,732	16,120	0.8%	2,163,000	2,153,800	2,087,900	
77,144	257	(76,887)	-99.7%	Inheritance / Estate	106,755	841	(105,914)	-99.2%	101,500	8,000	1,000	
26	113	87	332.0%	Telephone & Telegraph	98,303	90,602	(7,701)	-7.8%	99,100	81,300	83,000	
5,642	5,312	(330)	-5.9%	Oil & Gas Severance	64,139	86,167	22,028	34.3%	66,700	60,000	94,000	
3,080	3,386	307	10.0%	Casino Wagering	42,145	44,743	2,598	6.2%	42,200	43,100	44,100	
9,878	13,139	3,261	33.0%	Penalties & Interest	116,424	150,660	34,236	29.4%	142,500	108,000	146,700	
54	15	(39)	-72.3%	Miscellaneous Other/Railroad	1,232	1,059	(173)	-14.0%	1,200	0	0	
(6,667)	(7,667)	(1,000)	15.0%	Treasury Enforcement Programs (f)	(80,000)	(89,000)	(9,000)	11.3%	(91,200)	(80,000)	(92,000)	
\$174,470	\$105,192	(\$69,278)	-39.7%	TOTAL OTHER TAXES	\$2,484,611	\$2,436,804	(\$47,807)	-1.9%	\$2,525,000	\$2,374,200	\$2,364,700	
\$758,820	\$669,089	(\$89,731)	-11.8%	SUBTOTAL GF-GP TAXES	\$7,815,605	\$7,917,527	\$101,922	1.3%	\$7,881,000	\$7,891,000	\$7,927,600	

continued

**Revenue Summary 2005-06**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

**For The Month Ended: September 30, 2006**

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH SEPTEMBER CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
September		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual Totals (e)	Statutory Estimate	May 2006 Consensus
Non-Tax Revenue (f)											
\$2,917	\$2,917	\$0	0.0%	Federal Aid	\$35,000	\$35,000	\$0	0.0%	\$35,700	\$35,000	\$35,000
167	167	0	0.0%	Local Agencies	2,000	2,000	0	0.0%	300	2,000	2,000
1,500	1,500	0	0.0%	Services	18,000	18,000	0	0.0%	19,800	18,000	18,000
4,500	2,833	(1,667)	-37.0%	Licenses & Permits	54,000	39,000	(15,000)	-27.8%	27,400	54,000	34,000
0	0	0	na	Investments/Interest Costs	(15,871)	(16,369)	(499)	3.1%	(54,400)	(85,000)	(70,000)
9,433	12,050	2,617	27.7%	Misc. Non-tax Revenue	113,200	139,575	26,375	23.3%	135,100	124,500	144,600
11,333	11,667	333	2.9%	Liquor Purchase Revolving Fund	136,000	138,500	2,500	1.8%	142,200	134,000	140,000
5,192	4,208	(983)	-18.9%	From Other Funds-Lottery & Escheats	62,300	47,700	(14,600)	-23.4%	111,700	39,300	50,500
\$35,042	\$35,342	\$300	0.9%	TOTAL NON-TAX REVENUE	\$404,629	\$403,406	(\$1,224)	-0.3%	\$417,800	\$321,800	\$354,100
\$793,862	\$704,431	(\$89,431)	-11.3%	TOTAL GF-GP REVENUE	\$8,220,234	\$8,320,932	\$100,698	1.2%	\$8,298,900	\$8,212,900	\$8,281,700
School Aid Fund											
\$232,626	\$207,803	(\$24,823)	-10.7%	Sales Tax 4%	\$2,696,253	\$2,691,405	(\$4,848)	-0.2%	2,690,000	2,814,800	2,738,800
183,287	161,389	(21,898)	-11.9%	Sales Tax 2%	2,121,101	2,100,986	(20,115)	-0.9%	2,115,700	2,213,600	2,144,900
45,719	22,813	(22,906)	-50.1%	Use Tax 2%	465,631	450,340	(15,290)	-3.3%	467,600	481,800	470,500
396,537	380,056	(16,481)	-4.2%	State Education Property Tax	1,794,484	1,900,197	105,713	5.9%	1,914,500	1,956,900	2,010,000
33,690	28,926	(4,764)	-14.1%	Real Estate Transfer Tax	320,223	311,833	(8,390)	-2.6%	313,500	316,000	320,000
60,000	50,000	(10,000)	-16.7%	Lottery Transfer (b)	609,883	630,579	20,697	3.4%	667,600	654,300	708,500
7,127	7,837	710	10.0%	Casino Wagering Tax	97,536	103,548	6,012	6.2%	97,600	99,700	102,000
3,232	3,410	179	5.5%	Liquor Excise Tax	30,660	31,964	1,304	4.3%	33,100	34,000	34,000
45,514	43,259	(2,255)	-5.0%	Cigarette/Tobacco Tax	480,534	475,595	(4,939)	-1.0%	472,700	463,100	473,300
24,560	25,673	1,113	4.5%	Indus. & Comm. Facilities Taxes	141,384	136,783	(4,601)	-3.3%	138,200	133,000	123,000
2,746	2,601	(145)	-5.3%	Specific Other	13,206	15,726	2,520	19.1%	13,600	14,800	14,100
161,736	177,594	15,858	9.8%	Income Tax Earmarking	1,918,166	2,044,697	126,530	6.6%	\$1,985,600	\$2,051,000	\$2,058,800
\$1,196,775	\$1,111,363	(\$85,412)	-7.1%	TOTAL SCHOOL AID FUND	\$10,689,062	\$10,893,654	\$204,592	1.9%	\$10,909,700	\$11,233,100	\$11,198,000
\$570,998	\$507,728	(\$63,270)	-11.1%	SALES TAX 6%	\$6,614,857	\$6,586,661	(\$28,196)	-0.4%	\$6,599,100	\$6,905,000	\$6,709,600
387,711	346,338	(41,372)	-10.7%	SALES TAX 4%(d)	4,493,756	4,485,675	(8,081)	-0.2%	4,483,400	4,691,400	4,564,700
183,287	161,389	(21,898)	-11.9%	SALES TAX 2%	2,121,101	2,100,986	(20,115)	-0.9%	2,115,700	2,213,600	2,144,900
137,158	68,440	(68,718)	-50.1%	USE TAX 6%	1,396,892	1,351,021	(45,871)	-3.3%	1,402,300	1,445,500	1,411,600
10,647	11,708	1,061	10.0%	CASINO WAGERING TAX	145,702	154,684	8,981	6.2%	145,800	149,000	152,400
112,381	107,076	(5,304)	-4.7%	TOBACCO TAXES	1,186,504	1,177,215	(9,290)	-0.8%	1,179,900	1,145,500	1,179,500
0	0	0	na	TOBACCO SETTLEMENT	274,327	254,616	(19,711)	-7.2%	na	na	na
(301)	0	301	-100.0%	CIGARETTE INVENTORY TAX	(301)	0	301	-100.0%	na	na	na

continued



**Revenue Summary 2005-06**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

**For The Month Ended: September 30, 2006**

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH SEPTEMBER CASH COLLECTIONS DATA						REVENUE PROJECTIONS			
September		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006		
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual	Statutory	May 2006		
Totals (e)											Estimate	Consensus	
Major Transportation Revenues													
\$12,422	\$14,751	\$2,329	18.7%	Diesel Fuel / Motor Carrier Fuel Tax (g)	\$145,433	\$150,535	\$5,102	3.5%	\$146,308	\$151,100	\$153,000		
84,825	75,823	(9,002)	-10.6%	Gasoline	928,162	902,042	(26,120)	-2.8%	922,368	942,000	918,000		
62,887	62,172	(715)	-1.1%	Motor Vehicle Registration	857,220	863,674	6,454	0.8%	863,367	891,300	892,000		
(3,459)	4,470	7,929	na	Other Taxes, Fees & Misc.	59,835	51,247	(8,588)	-14.4%	221,060	190,013	207,719		
4,712	5,719	1,007	21.4%	Comprehensive Transportation (c)	56,546	70,669	14,123	25.0%	62,749	76,793	67,751		
\$161,386	\$162,934	\$1,548	1.0%	TOTAL MAJOR TRANS. REVENUES	\$2,047,196	\$2,038,167	(\$9,029)	-0.4%	\$2,215,852	\$2,251,205	\$2,238,470		
Lottery Sales By Games													
56,661	62,244	5,583	9.9%	Instant Games	656,998	705,928	48,930	7.4%	na	na	na		
57,672	65,166	7,494	13.0%	Daily Games	704,003	703,115	(888)	-0.1%	na	na	na		
37,974	28,535	(9,439)	-24.9%	Lotto and Big Game	305,371	311,358	5,986	2.0%	na	na	na		
1,195	1,304	108	9.1%	Keno Game	13,367	14,474	1,107	8.3%	na	na	na		
0	0	0	na	Changeplay Game	0	0	0	na	na	na	na		
33,208	42,346	9,138	27.5%	Club Games	367,426	462,161	94,735	25.8%	na	na	na		
\$186,709	\$199,594	\$12,885	6.9%	TOTAL LOTTERY SALES	\$2,047,166	\$2,197,037	\$149,871	7.3%	na	na	na		

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

f Non-tax revenue items other than interest are estimates.

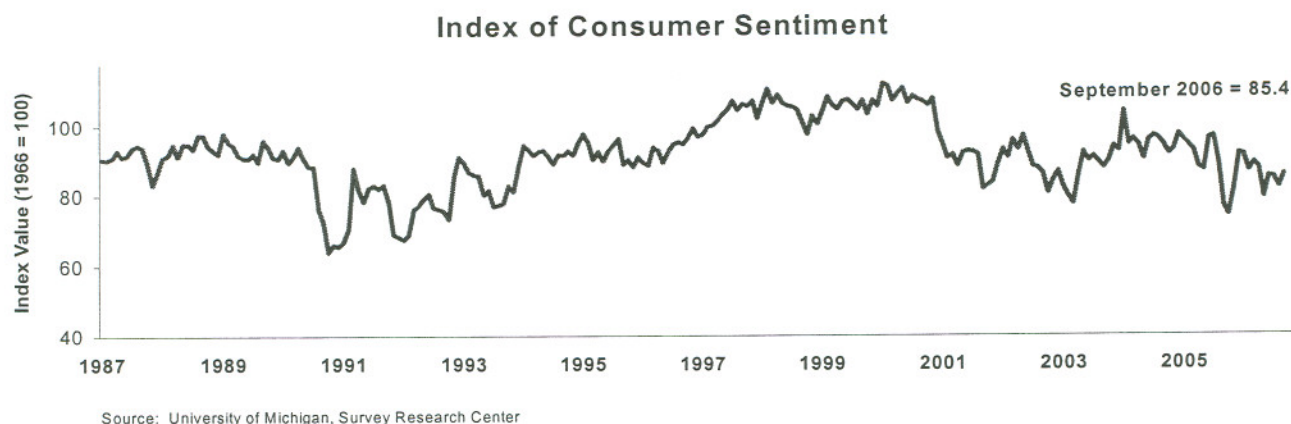
g Starting in January 2005, totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

## Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

### U. S. Economy



The **Index of Consumer Sentiment** was 85.4 in September, 3.4 index-points above the August value and 8.5 index-points above September 2005. On the higher September reading, Survey director Richard Curtin observed, "All of the gains were concentrated in improved expectations for future economic prospects, as consumers' evaluations of current economic conditions declined. The one month increase in the Expectations Index of 10.2 points was the seventh largest on record, while the decline in the Current Economic Conditions Index was the twelfth largest on record." Curtin noted, "the divergence between the two components of the Sentiment Index is unlikely to be sustained in the months ahead. While a resurgence in oil prices could reduce the Expectations Index, and thus close the gap, it is more likely that the gap will be closed by improvements in how consumers judge current economic conditions." Curtin also reported, "Consumers judged the year-ahead prospects for the national economy much more favorably in September. Expectations for inflation, unemployment and interest rates also improved for the September survey." In September, consumers in three of the four regions reported an increase in confidence. Midwestern consumers reported the largest increase in confidence of 7.2 index-points, followed by Southern consumers at 6.2 index points. Western consumers reported a decrease in confidence of 4.4 index-points. The gap across regions decreased from last month to 17.0 index-points, with Western consumers on top and Northeastern consumers on the bottom.

The preliminary estimate of real **Gross Domestic Product** for the second quarter of 2006 is \$11,388.1 billion (chained 2000 dollars), an increase of 2.6 percent at an annual rate. In the first quarter of 2006, real gross domestic product increased 5.6 percent. Personal consumption expenditures for services, private inventory investment, nonresidential structures, exports and state and local government spending led second quarter growth. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 2.6 percent in the second quarter compared to an increase of 4.8 percent in the first quarter. Real residential fixed investment decreased 11.1 percent in the second quarter compared to a decrease of 0.3 percent in the first quarter. Real nonresidential fixed investment increased 4.4 percent in the second quarter led by increased investment in nonresidential structures of 20.3 percent. Real federal government expenditures decreased 4.5 percent in the second quarter, compared to an increase of 8.8 percent in the first quarter. Real state and local government spending increased 4.0 percent in the second quarter, compared to a 2.7 percent increase in the first quarter. Exports of goods and services increased 6.2 percent in the second quarter, compared to a

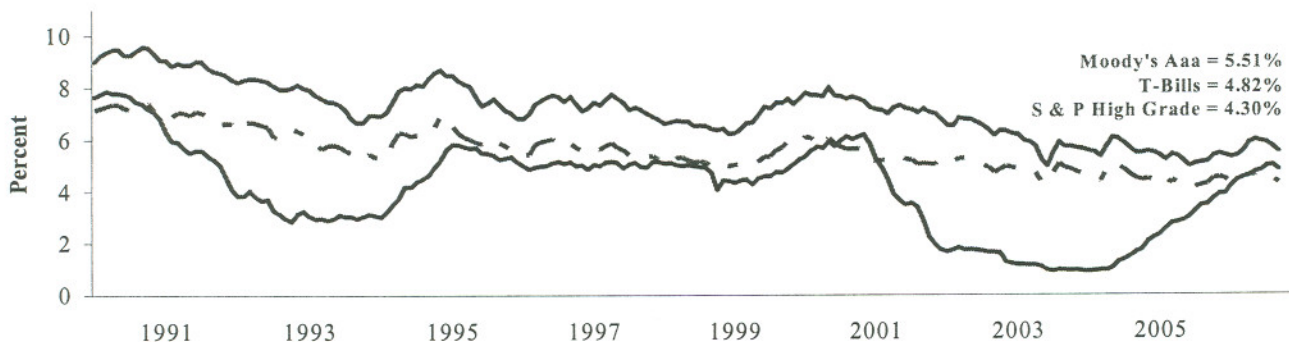


14.0 percent increase in the first quarter. Imports increased 1.4 percent in the second quarter compared to an increase of 9.1 percent in the first quarter. Private inventory investment increased \$53.7 billion in the second quarter, up from a \$41.2 billion increase in the first quarter. Real final sales increased 2.1 percent in the second quarter compared to a 5.6 percent increase in the first quarter. On the inflation front, the **implicit price deflator** increased at a 3.3 percent annual rate in the second quarter the same as observed in the first quarter.

**U. S. retail prices**, as measured by the Consumer Price Index (CPI-U), decreased 0.5 percent in September, down from a 0.2 percent increase in August. Energy decreased sharply by 7.2 percent in September; compared to a 0.3 percent increase in August, while the all-items less food and energy component increased 0.2 percent. For the six months since March, the all-items index increased at a 2.9 percent annual rate.

Compared to September 2005, the all-items index increased 2.1 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.6 percent; housing, 4.1 percent; medical care, 4.2 percent; apparel, 1.0 percent; recreation, 1.3 percent; education and communication, 2.7 percent; and other goods and services, 2.6 percent, with tobacco prices up 2.1 percent; the unadjusted decreases were: transportation 3.2 percent, with gasoline prices down 11.8 percent.

### Selected Key Interest Rates



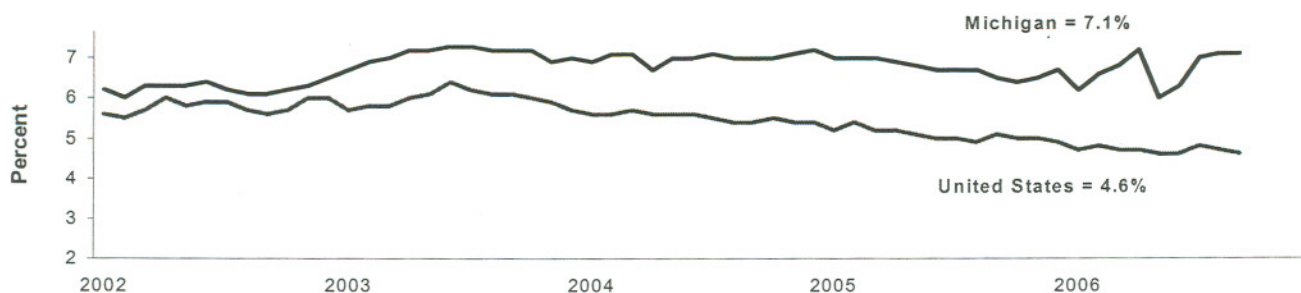
Source: Economic Indicators

Short-term **interest rates** decreased 0.16 percentage points in September as the 3-month Treasury bill (T-bill) rate averaged 4.82 percent. Compared to one year ago, the T-bill rate is up 1.35 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, decreased 0.17 percentage points to an interest yield of 5.51 percent in September. Compared to one year ago, the Aaa bond yield is up 0.38 percentage points. The interest rate on High-grade municipal bonds decreased 0.13 percentage points to 4.30 percent in September, and stands 0.02 percentage points above its year ago level. The Federal Open Market Committee (FOMC) kept the federal funds rate unchanged at its September 20<sup>th</sup> meeting at 5.25 percent. The FOMC stated that, "Readings on core inflation have been elevated in recent months, and the high levels of resource utilization and of the prices of energy and other commodities have the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time." The committee, "judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information."

In September, the **U. S. unemployment rate** decreased 0.1 percentage points from a month ago to 4.6 percent and was down 0.5 percentage points from one year ago. Civilian employment totaled 144.9

million persons in September, up 0.3 million from July. The number of unemployed was 6.9 million nationwide.

### Unemployment Rates 2002 - 2006



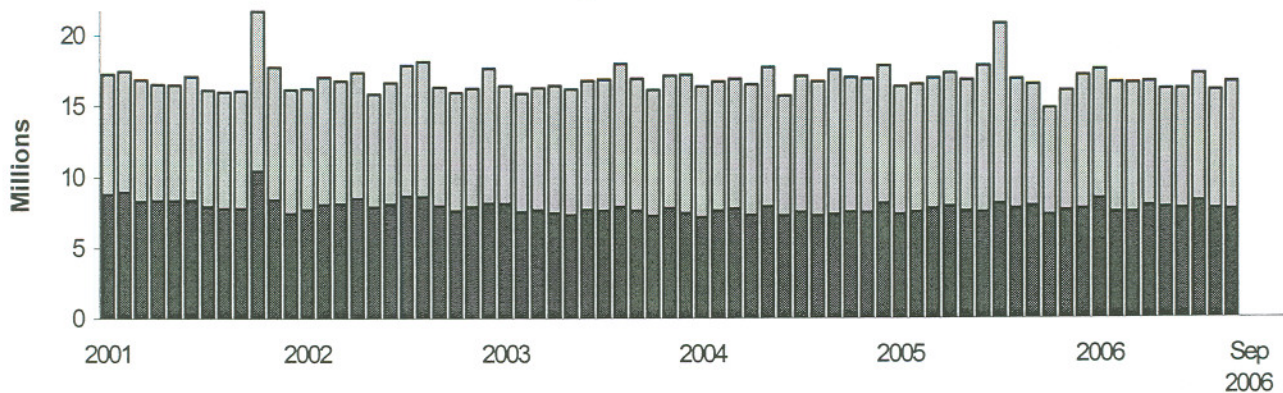
Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In September, the **Michigan jobless rate** remained unchanged at 7.1 percent. Compared to a year ago, Michigan's jobless rate was 0.6 percentage points higher. From a month ago, the labor force increased by 26,000 to 5,112,000, while the number of people employed increased by 22,000 to 4,748,000. In September, there were 364,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors.



## Motor Vehicle Sector

### U. S. Light Vehicle Sales



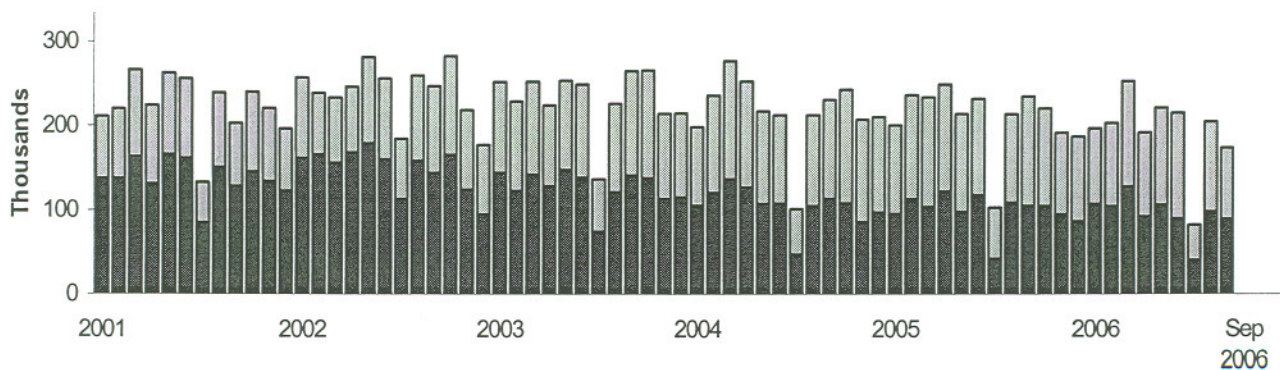
Source: Bureau of Economic Analysis

■ Cars ■ Lt Trucks

**U. S. light vehicle sales** (cars + light trucks) increased 0.6 million units in September compared to last month, selling at a 16.6 million unit seasonally adjusted annual rate. Domestic car sales increased 0.5 percent while domestic light truck sales increased 6.3 percent. Import car sales decreased 3.5 percent while import light truck sales increased 14.3 percent. Compared to last year, light vehicle sales increased 0.7 percent. Domestic car sales were down 6.3 percent while domestic light truck sales increased 2.0 percent. Import car sales were up 3.5 percent while import truck sales rose 21.5 percent from last year. As a result, the domestic share decreased 1.8 percentage points from a year ago. For fiscal year 2006 year-to-date, domestic light vehicles have recorded a 78.4 percent share of a 16.4 million-unit market.

**Michigan motor vehicle production** decreased to 173,230 units in September. From a year ago, motor vehicle production decreased 26 percent in Michigan and fell 16 percent nationally. In September, Michigan's car production was 88,911 units while the state's truck production was 84,319 units. Compared with a year ago, car production decreased 15 percent in Michigan and fell 4 percent nationwide. The state's truck production decreased 35 percent while national truck production fell 23 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

### Michigan Motor Vehicle Production



Source: Economic and Revenue Forecasting Division

■ Cars ■ Trucks



**Summary Estimates of the Constitutional Revenue Limit  
Based on the May 17, 2006 Consensus Revenue Agreement  
(Article IX, Section 26)  
(in millions)**

	<b>Fiscal Year 2003-2004 Actual</b>	<b>Fiscal Year 2004-2005 Actual</b>	<b>Fiscal Year 2005-2006 Estimate</b>
Applicable Calendar Year Personal Income	\$303,745	\$314,460	\$324,134
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,825.4	\$29,842.3	\$30,760.3
Revenue Limit	\$28,825.4	\$29,842.3	\$30,760.3
State Revenue Subject to Limit	\$24,384.7	\$25,626.8	\$26,211.0
<b>Amount Under (Over) Limit</b>	<b>\$4,440.7</b>	<b>\$4,215.5</b>	<b>\$4,549.3</b>

Sources:

Personal Income Estimate

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

The FY 2005-06 calculation uses the official personal income estimate for calendar year 2004 (Survey of Current Business, October 2005).

Revenue Subject to the Limit

The FY 2003-04 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2004.

The FY 2004-05 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2005.

The FY 2005-06 calculation uses the May 17, 2006 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury